

# TOPICS & REPORT

Teachers' Retirement System of the State of Illinois



## Special Insert

You'll find the 2006 *Annual Financial Report Summary* inside this edition as a special insert.

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## Executive Director's Message

### Let's not take chances on a sure thing

I'm not a betting man, which is likely a good philosophy for guys in this chair, but I might wager a Coke that sometime in the near future we'll see a proposal from a big consulting firm or a "blue-ribbon commission" to consolidate Illinois pension funds "to save money."

Candidly, I've always had the opposite view. I think separate funds with separate boards save money, particularly when we talk about multibillion-dollar operations that serve hundreds of thousands of members. Efficient operations are either already present or are possible with far less effort than bringing together organizations that have many fundamental differences.

To me, the prospect of a merger means losing control over the delivery of services to TRS members.

In the corporate world, mergers are common, but most fail to achieve their financial objectives. A 1998 article in the American

**Director's message** continued on page 2



Jon Bauman  
Executive Director

## 10 Years of Top-quartile Investment Performance

By all measures, the TRS investment portfolio outpaced expectations and outperformed more than three-quarters of the large public pension funds in the widely respected TUCS universe compiled by Wilshire Associates.

Over the 10-year period ended June 30, 2006, TRS earned 9.36 percent, ranking in the top 20 percent of TUCS universe. Performance for the one-, three-, and five- year periods were all in the top quartile. Consistent top-quartile performance is a much envied indicator of the quality of the TRS portfolio and investment process.

Earning a total of \$4 billion for the year ended June 30, 2006, the TRS portfolio returned an impressive 11.8 percent after expenses. The return helped improve the TRS funded position by 1.2 percentage points to 62 percent. The increase is particularly significant because state contributions were statutorily reduced by \$524 million.

Overall, the TRS assets were \$36.6 billion, a 7.3 percent increase and an all-time high.

Private equity earned 23.8 percent for the year. The annualized return for the last 10 years is an equally impressive 19.5 percent, the highest return

**Investment performance** continued on page 5






## Illinois Spotlighted for Failure to Fully Fund Pension Systems

In the past year, many statewide business groups and organizations advocating tax and budget issues have published reports highlighting how Illinois has historically failed to fully fund its pension systems. Failing to fund pension systems adequately leaves the systems in more vulnerable financial conditions and creates a greater burden for future generations of taxpayers.

The most recent report, "Facing Facts: A Report of the Civic Committee's Task Force on Illinois State Finance," also raised a discussion of defined contribution plans vs. defined benefit plans. TRS provides a **defined benefit plan** for members, which is a guaranteed benefit. Many private sector

employees, also covered by Social Security, have **defined contribution plans** where employees rely on their own abilities to invest over the long term; the benefit is not guaranteed. Another study shows administrative costs of defined contribution plans are nearly five times more expensive than those of defined benefit plans.

Most TRS members cannot collect Social Security, so their defined benefit plan often provides their only source of financial security. Additionally, all TRS members are guaranteed by the Illinois Constitution and the Contract Clause of the U.S. Constitution that their benefits cannot be diminished or impaired. 

### Executive Director's Message *(continued from page 1)*

Psychological Association's "Monitor" postulates that up to 80 percent of all corporate mergers fail to attain their financial objectives. In other words, things would have been better without a merger.

Financial objectives are tough to quantify. It's easy to say one can cut "fat and overhead," but often the cuts hit the heart and soul of an organization. In our case, that's member service.

TRS governance makes a difference in our member service. Service is a top priority of the four active teachers and two retired teachers serving on the TRS Board of Trustees. Would our service change if we merged? There is a chance, and it is a chance that should not be taken. Today, we know that 96 percent of members responding rated our service excellent.

I can't help but think of the "merger" of TWA and American Airlines. Of course, the 9/11 tragedy hit airlines hard, but most observers think American would be better off without the merger. Downstate travelers miss TWA's convenient schedule, several communities lost air service, and thousands of TWA employees were laid off.

Remember when every town had a First National Bank where you felt at home? Now, bank names change more often than many folks trade cars.

Speaking of cars, the merger of Daimler and Chrysler promised us a Plymouth engineered

like a Mercedes-Benz. Have you tried to buy a new Plymouth lately?

As proud as I am of our member service, I am equally proud that TRS has the best investment program and returns of any statewide public fund in Illinois.

During the decade that ended June 30, 2006, TRS was top ranked for the one-, three-, five-, and 10-year periods.

Over the last five years, TRS earned investment income exceeding \$12 billion. If we had been the bottom performer instead of the top performer, we would have earned \$700 million less. That's big money in anybody's pocketbook.

While doing research for this column, I happened upon an article with the intriguing title, "A Merger Is Nothing But A Planned Crisis." My thoughts exactly.

Perhaps this warning flag is a bit early, but it is not unwarranted. Your retirement system stands for excellence and efficiency that is worth protecting.

Best wishes for a peaceful 2007.



Jon Bauman  
Executive Director



## Early 2007 Important Annuitant Reminders

### Look for 1099-R in the mail

If you received a TRS benefit in 2006, the Office of the Comptroller will mail an IRS Form 1099-R to you by January 31, 2007. This form will report your income received from TRS during 2006.

**The amount shown in Box 5 on the 1099-R form represents the non-taxable portion of TRS retirement benefits paid to you for the year and is the difference between Boxes 1 and 2a.**

Annuitants should always report the amount in Box 2a as the taxable amount of their pension income on the federal tax return.

If you do not receive a 1099-R form or you need a duplicate copy sent to you, please call us at (800) 877-7896 or e-mail us at [members@trs.illinois.gov](mailto:members@trs.illinois.gov).

### Increase will be reflected on February 1 check


Your January and February checks will be different amounts because the January 2007 benefit pay-



ment that you will receive in February reflects your annual 3 percent annuity increase. The increase is effective on January 1 following either your first retirement anniversary or your 61st birthday, whichever is later. With some exceptions, recipients of monthly survivor benefits will also see a 3 percent increase.

### Federal withholding tables changed January 1

Revised federal withholding tables went into effect on January 1, 2007. As a result, the federal taxes withheld from your January 1 annuity payment may increase or decrease based on your filing status.

If you would like to change the number of exemptions you are claiming, you must complete a new Form W4-P. You can obtain a new form by calling us at (800) 877-7896 and pressing "2" for our 24-hour Forms Order Line, by visiting our forms page at [trs.illinois.gov](http://trs.illinois.gov), or by calling the nearest Internal Revenue Service office. 

## TRIP Recipients to Receive Updated Handbook

For the first time since 2002, the *Teachers' Retirement Insurance Program (TRIP) Benefits Handbook* has been updated. At press time, the mailing was scheduled for late December. 

## Upcoming Board Meetings

Springfield meetings are held at the TRS office, 2815 West Washington Street, Springfield, Illinois.

**January 26, 2007**

Stakeholder Forum in Springfield

**February 15-16, 2007**

Springfield

**April 19-20, 2007**

Ramada Inn, Galena


**May 17-18, 2007**

Springfield 

Board actions can be found on our Web site, [trs.illinois.gov](http://trs.illinois.gov).

## Upcoming Board Election

The Board of Trustees election to elect two teacher trustees and one annuitant trustee for a four-year term beginning July 15, 2007 is scheduled to occur on May 1, 2007. Teachers and annuitants who are interested in having their names on the 2007 election ballot must obtain election petitions. A minimum of 500 signatures is required.


To receive election petitions and instructions, you may call Alice Kern at our Springfield office, (217) 753-0354, or e-mail her, [akern@trs.illinois.gov](mailto:akern@trs.illinois.gov). Petitions may be filed no earlier than January 1, 2007 and no later than 4:30 p.m. on January 31, 2007. 







## Member Account Access Upgrade

TRS will upgrade the Member Account Access area of the Web site in early 2007 to improve performance and security. As part of this upgrade, a one-time validation will be required the first time members log on to Member Account Access. Members will be prompted to enter the last four digits of their Social Security number, birth date, and to enter and confirm their password. The upgrade will ensure that members continue to receive fast and highly-secured applications when accessing their personal information via the Web. 

## TRS Receives GFOA Award

### Award for Outstanding Achievement in Popular Annual Financial Reporting

PRESENTED TO

Teachers' Retirement System  
of the State of Illinois

for the Fiscal Year Ended

June 30, 2005




  
President  
  
Executive Director


The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Teachers' Retirement System of the State of Illinois (TRS) for its Popular Annual Financial Report for the fiscal year ended June 30, 2005. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular financial reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit

must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability, and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. TRS has received a Popular Award for the last six consecutive years. We believe the June 30, 2006 report, which is enclosed with this newsletter, also conforms to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA. 

## Web Benefits Calculator Coming

A personalized benefits calculator is in the test stages at the time of this printing. It should be ready in early 2007 under the secure Member Account Access area of our Web site: [trs.illinois.gov](http://trs.illinois.gov). 

## TRS Benefits Report Mailed to Members

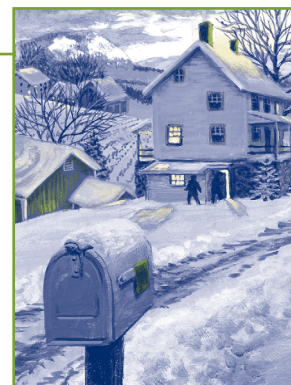
Your TRS Benefits Report was mailed in early December with a new design featuring real estate owned by TRS.

The report summarizes the following benefits: refundable contributions, beneficiary refund, beneficiaries, estimated benefits, sick leave service, 2.2 upgrade information, reciprocal service, refunded service that may be reinstated, optional service, and active service.

Our Web site also has your report available in the secure Member Account Access area. Recent payments and outstanding balances that have occurred since the report was mailed will be shown online.

If you have any questions or need another copy of your report, please call us at (800) 877-7896.

Annuitants do not receive TRS Benefits Reports. 







## TRS Staff Promotions and New Faces

The Teachers' Retirement System has promoted a long-time employee and added two more professionals to its ranks.

**Susan Ward** was named payroll and insurance manager on July 1. Susan began her career at TRS in 1993 as a benefits payroll analyst after earning a Bachelor of Arts degree in accountancy from Sangamon State University, now known as the University of Illinois at Springfield (UIS). She earned a Master of Business Administration degree at UIS and received her Certified Public Accountant certificate during her 13-year tenure at TRS.

As the payroll insurance manager, Susan manages a dedicated staff primarily responsible for all aspects of the over \$250 million monthly retirement payroll and determining eligibility, enrollment, and premiums for the State of Illinois Group Insurance Plan and Teacher's Retirement Insurance Program (TRIP). Health insurance and receiving monthly checks on time are important to our retired teachers, which is why the work performed by the payroll and insurance departments is so essential at TRS.


**Andrew Bodewes** was hired in July as the director of governmental affairs at TRS. The Springfield native earned a Bachelor of Arts degree in political science from Regis University in Denver, Colorado. Andrew later served as a distance learning coordinator at the university's library, providing research material to those living in non-traditional learning environments, such as military personnel and their spouses; citizens temporarily living overseas; and the disabled. After returning to Springfield, Andrew served for four years as an appropriations research

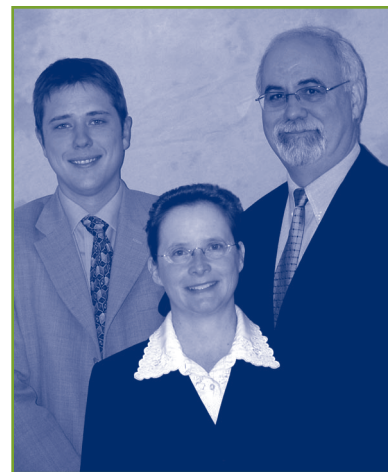
analyst for Illinois House Speaker Michael Madigan and specialized in pension and labor legislation.

As the director of governmental affairs at TRS, Andrew is in charge of implementing the legislative agenda of the TRS Board of

Trustees and representing the Board before the Illinois General Assembly and the U.S. Congress.

**Rich Frankenfeld** is serving as the part-time director of outreach at TRS following a distinguished 24-year career with the Illinois Education Association (IEA). Rich, who most recently served as the government relations director at IEA, joined TRS in September. Rich holds a Bachelor of Arts degree in mathematics and secondary education from Augustana College in Rock Island and a Master of Arts degree in human development counseling from Sangamon State University (now UIS). He previously worked as a math and cooperative education teacher in the Springfield public schools and served as a former high school basketball referee in Illinois.

As the director of outreach, Rich is responsible for handling concerns that affect TRS with stakeholder organizations representing active and retired teachers and school boards. 



Left to right: Andrew Bodewes, Susan Ward, and Rich Frankenfeld

### Investment Performance

(continued from page 1)


of any asset class in the portfolio. In six of the last 10 years, private equity has achieved an annualized return of at least 20 percent.

Real estate earned 18.8 percent for the year, marking the fifteenth consecutive year of

positive returns, making real estate the stable performer in the portfolio. Over the last 10 years, the annualized real estate return is 12.1 percent.

International equity returned 27.3 percent, buoyed by the 36 percent return of Japanese assets,

and the 35 percent performance of emerging markets holdings.

As in five of the last six years, TRS was the best performing Illinois state pension fund. The outstanding results were achieved while maintaining a lower than average risk profile. 



## Large Numbers of “Pipeline” Retirements Expected in 2007

The Pipeline ERO provision ends on July 1, 2007. The provision covers members who notified their employers on or before June 1, 2005 of their intentions to retire under the terms of a contract or collective bargaining agreement. These members are covered by the ERO provisions that expired in 2005 because they were in the “pipeline.” About 2,000 Pipeline ERO retirements occurred in 2006, and the remaining 4,000 eligible members are expected to retire in 2007. The following information is for Pipeline ERO members and all others who plan to retire this spring.

### Personalized Retirement Interview (PRI)

To save you time and effort, we have made it easy to begin the retirement process. We offer retirement interviews by phone and online. You may obtain a Personalized Retirement Interview (PRI), which includes your retirement forms, at [trs.illinois.gov](http://trs.illinois.gov) or by calling (800) 877-7896. Our telephone hours are 7:30 a.m. to 4:30 p.m., Monday through Friday, with extended hours to 6:00 p.m. on Tuesdays and Thursdays.

To access PRI online, you must register for a user ID and password through our secure Member Account Access area, if you have not already done so. Whether you call or use our Web site, please be ready to tell us the last day you will work or the last day for which you will be paid. The online PRI will take approximately 30 minutes to complete.



You may also sign up for our automated e-mail message system in the secure area of our Web site to receive important messages about the progress of your retirement application.

### Required forms

Three to four weeks after your PRI, you will receive your packet with the following prefilled forms:

- Retirement Application
- Teachers' Health Insurance Program (TRIP) Enrollment Form
- Direct Deposit Form
- Supplementary Report (May be completed and submitted by your employer as early as May 1, 2007.)
- Sick Leave Certification form (Your employer must also complete this.)

### Optional Service

Optional service balances must be paid prior to retirement.

### Payroll Deduction Program (PDP) Final Deductions

All payroll deductions end on your retirement date. If you are

making optional service, ERO, or 2.2 payments through a payroll deduction, find out from your employer when the final payment will occur. If the date occurs after you retire, you will need to pay the outstanding balance to TRS.

### Early Retirement Option (ERO)

Your ERO contribution cost will be calculated after we receive all of the necessary forms and optional service payments.

The bill for your ERO contributions will be sent to you. The employer bill will be sent to your employer after we calculate your pension benefit. We must receive your ERO payment (but not your employer's) before your pension benefits may begin.

### Your first annuity payment

When pension benefits have been determined, you will receive a letter indicating the gross amount of your first annuity check, the gross amount of your following monthly checks, and the date that your first check will be mailed. Your first check will arrive between 60 and 90 days after all of the required forms and payments have been received and reviewed.

If you have any questions or concerns, please call our Member Services Department at (800) 877-7896 or send us an e-mail at [members@trs.illinois.gov](mailto:members@trs.illinois.gov). 

## When Tying the Knot Cost Female Teachers Their Jobs

Marital status once played a prominent role in American education because of widespread employment policies that forced female teachers to choose between their careers and matrimony. Women were required to resign if they married during the term of their teaching contracts. The regulations were enforced through the middle of the 20th century by local school districts.




The women sued the school district. They were represented in their lawsuit by the American Federation of Teachers General Counsel John Ligtenberg. Larry Poltrock, Ligtenberg's law partner and his successor as the American Federation of Teachers counsel, said Ligtenberg was all too familiar with the burden of the no-marriage clause for female teachers.

One theory held in those days was that teaching positions were most needed by single women who had to support themselves or by men who were the breadwinners of the home. Other reasons used to justify the no-marriage clause included enabling school districts to keep their costs down by paying smaller salaries to single, female teachers or not wanting students to be exposed to pregnant teachers. Some women never married and devoted their entire lives to the students they taught and that practice led to the stereotype of the "old maid" teacher. Others got married and resigned or tried to keep their nuptials a secret so they could remain in the classroom.

While the policies were suspended during World War II due to a shortage of male teachers, it took a lawsuit to bring permanent change in Illinois. Four female teachers from Morton High School in Cicero — Zada Templeton, Meryl Haberman, Maureen Lang, and Jeannette Eppley — were fired in 1946 because each had married during their employment. The school board, which put the rule on hold during the war, voted to reinstate the no-marriage clause that year and terminated the teachers.

Poltrock tells *Topics & Report* that Ligtenberg married a teacher in the mid-1930s. "They were living separately," said Poltrock. "They had to keep the marriage a secret for some period of time... because if the school board found out, it would have caused to fire her. They had to sneak around on dates and not wear their wedding rings."

The lawsuit contended the teachers were wrongly fired and denied a hearing by the school board. Poltrock says the case went to the Illinois Supreme Court before being settled in favor of the teachers by a lower court. He believes the suit led to the termination of the no-marriage clause in the state. In 1949, the Illinois School Code was changed to prohibit school districts from using marriage as a cause for dismissing female teachers.

Today's female teachers can marry, and they can also work throughout their pregnancies without being expelled from the classroom. Another long-held employment policy, which forced pregnant teachers to take lengthy maternity leaves, was abolished by the state of Illinois in 1972. TRS and its members salute the trailblazers who fought for the social changes women educators now enjoy. 

## 60-year Goal Met by Abingdon Man

Stanford Shover, whom we spotlighted in the spring 2005 edition of *Topics & Report*, met his goal of teaching for 60 years. Stan could hardly wait to begin teaching his adult education classes this past fall at Carl Sandburg College in Galesburg to attain this accomplishment.

He greatly appreciates the positive e-mails and greetings he received from 14 states and would like to thank all of you who responded to him after his story was published in our newsletter. 







### Office Information

2815 West Washington, P.O. Box 19253  
Springfield, IL 62794-9253

4200 Commerce Court, Suite 100  
Lisle, IL 60532-3611

#### Web site

[trs.illinois.gov](http://trs.illinois.gov)

#### Phone

Toll Free: (800) 877-7896

Forms Order Line: (800) 877-7896,  
press "2" when prompted

#### Address changes

To ensure that all information about your retirement benefit reaches you, please notify us each time your mailing address changes. You may call us or send us the following information in writing:

- your name and Social Security number
- former street address, city, state, and ZIP
- new street address, city, state, and ZIP
- daytime telephone number.

### Board of Trustees

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### Topics & Report

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